

March 10, 2010

**ITEM NO. B1**

**AUTHORIZATION TO EXERCISE THE FIRST ONE-YEAR OPTION WITH  
INTEGRYS ENERGY SERVICES, INC. FOR THE SUPPLY AND DELIVERY OF  
NATURAL GAS TO VARIOUS CHA RESIDENTIAL SITES AND FACILITIES**

To the Honorable Board of Commissioners:

**RECOMMENDATION**

It is recommended that the Board of Commissioners approve the attached resolution authorizing the Chief Executive Officer or his designee to exercise the one-year option with Integrys Energy Services, Inc. for the supply and delivery of natural gas to various CHA residential sites and facilities in an amount not-to-exceed \$8,440,427.00.

**FUNDING**  
General Fund

**RECOMMENDATION SUMMARY**

**Contractor:** Integrys Energy Services, Inc  
500 West Madison, Suite 3300  
Chicago, IL 60661

**Contract Type:** Requirements (NTE)  
**Original Contract Amount:** \$28,000,000.00  
**Option Year Amount:** \$8,440,427.00  
**New Contract Total:** \$36,440,427.00

**Original Contract Term:** April 1, 2008 - March 31, 2010  
**First Option Year Term:** April 1, 2010 - March 31, 2011

**M/W/DBE Participation:**

Direct: MBE 20 % WBE      % DBE      %  
Indirect: MBE      % WBE      % DBE      %  
Waiver:      Yes/No

**Section 3: N/A:**

( ☐ ) Hiring      (\$) Subcontracting      (\$) Other Economic Opportunities \$

## **EXPLANATION**

In March 2008, the Board of Commissioners approved an award of an agreement with Integrys Energy Services, Inc. for the supply and delivery of natural gas to various CHA residential sites and facilities for a base period of two (2) years. The current contract will expire on March 31, 2010.

The Natural Gas Supply and Delivery Agreement offers CHA the opportunity to purchase its gas needs at wholesale instead of retail, and enables the CHA to hedge against potential market price fluctuations through use of multi-tiered price/risk management options.

An extension of the agreement would allow the CHA to continue to purchase natural gas supplies from non-utility sources and thereby reduce the CHA's overall gas costs. The Department of Housing and Urban Development has historically offered incentives to housing authorities that purchase their natural gas supplies at wholesale costs (wellhead) that are less than what the local retail utility would ordinarily charge. It is critical that the CHA continue to reduce its energy costs through gas purchases made under the wellhead program.

Under Contract #8014 natural gas is supplied and delivered to multiple CHA family and senior developments. The following table shows the usage and cost of natural gas in 2008 and 2009:

| <b>Year</b>  | <b>Usage (therms)</b> | <b>Cost</b>         |
|--------------|-----------------------|---------------------|
| 2008         | 14,601,540            | \$12,910,760        |
| 2009         | 12,000,990            | \$ 7,679,278        |
| <b>TOTAL</b> | <b>26,602,530</b>     | <b>\$20,590,038</b> |

CHA's aggregate natural gas usage in 2009 was 17.7% less than in 2008 for the portfolio properties subject to the agreement, and the cost was approximately 40.5% less over that same term. The decreases in the CHA's natural gas consumption and costs were primarily due to price/risk management strategies, building consolidations and closures, and energy-efficient retrofits.

Based on the historical consumption and management practices, the anticipated annual usage for the period of April 1, 2010 through March 31, 2011 is projected at 12,334,819 therms. Based on proposed pricing for the period, the projected cost to CHA would be \$8,440,427.00.

Based on the foregoing, it is in the best interest of the CHA that the Board of Commissioners authorizes the Chief Executive Officer or his designee to exercise the first one-year option with Integrys Energy Services, Inc. for the supply and delivery of natural gas to various CHA residential sites and facilities in an amount not-to-exceed \$8,440,427.00.

**RESOLUTION NO. 2010-CHA-25**

**WHEREAS,** The Board of Commissioners of the Chicago Housing Authority has reviewed the Board Letter dated March 10, 2009, entitled “Authorization to Exercise the First One-Year Option with Integrys Energy Services, Inc. for the Supply and Delivery of Natural Gas to Various CHA Residential Sites and Facilities”;

**THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY**

**THAT,** the Board of Commissioners hereby authorizes the Chief Executive Officer or his designee to exercise the one-year option with Integrys Energy Services, Inc. for the supply and delivery of natural gas to various CHA residential sites and facilities in an amount not-to-exceed \$8,440,427.00.

